

Message Text

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FM SECSTATE WASHDC

TO AMCONSUL BRISBANE PRIORITY

C O N F I D E N T I A L STATE 145450

FOLLOWING REPEAT STATE 145450 ACTION SECSTATE DATED JULY 5, 1974.

QUOTE C O N F I D E N T I A L STATE 145450

E.O.11652: GDS

TAGS: EMIN, EFIN, EIND, US

SUBJECT: ASSESSMENT OF INVESTMENT, TAXATION, AND EXPRO-
PRIATION TRENDS IN THE ALUMINUM/BAUXITE
INDUSTRY

REF: STATE 103965 (NOTAL)

FOR CHIEF OF MISSION

1. THE GOVERNMENT OF JAMAICA(GOJ) HAS EXERCISED A "TAX
LEADERSHIP" ROLE IN THE NEWLY-FORMED INTERNATIONAL BAUXITE
ASSOCIATION (IBA) BY UNILATERALLY RAISING TAXES (FROM
ABOUT DOLS 25 MILLION PER YEAR TO DOLS 200 MILLION) ON
THE ALUMINUM COMPANIES OPERATING IN JAMAICA. IN LATE SUM-
MER OR EARLY FALL NEGOTIATIONS ARE SCHEDULED TO RESUME IN
KINGSTON ON PARTICIPATION, CONTROL OF BAUXITE RESERVES,
AND OTHER ISSUES.

2. THE DEPARTMENT IS REVIEWING THE STATUS OF BAUXITE/
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ALUMINA OPERATIONS AND EXPANSION PLANS WORLDWIDE IN CONNEC-

TION WITH AN ANALYSIS OF POSSIBLE USG ACTIONS WHICH COULD BE TAKEN TO DISCOURAGE OTHER GOVERNMENTS FROM FOLLOWING THE JAMAICAN GOVERNMENT'S LEAD. YOU ARE REQUESTED TO DEVELOP INFORMATION AND PROVIDE YOUR ASSESSMENT OF THE FOLLOWING ISSUES:

A. BAUXITE EXTRACTION AND REFINING EXPANSION PLANS OR INTENTIONS IN YOUR COUNTRY BY U.S. AND FOREIGN ALUMINUM COMPANIES; WHETHER THESE PLANS OR INTENTIONS HAVE BEEN AFFECTED BY JAMAICA'S ACTIONS; AND WHETHER THE RESULTANT OUTPUT IS EXPECTED TO BE EXPORTED, POSSIBLY TO THE U.S. MARKET.

B. ATTITUDE OF THE HOST GOVERNMENT TO SUCH EXPANSION PLANS.

C. REACTION OF THE HOST GOVERNMENT TO JAMAICA'S TAX ACTIONS; HOST GOVERNMENT CONTACTS WITH THE GOVERNMENT OF JAMAICA ON ITS ACTIONS, AND WITH OTHER IBA MEMBERS ABOUT FOLLOWING JAMAICA'S LEAD OR ABOUT ANY OTHER CONCERTED ACTIONS.

D. DOMESTIC POLITICAL/ECONOMIC SITUATION AND IMPLICATIONS WITH REGARD TO THE LIKELIHOOD THAT THE GOVERNMENT WILL SEEK HIGHER TAXES OR EXPROPRIATION/PARTICIPATION IN BAUXITE/ALUMINA OPERATIONS OWNED BY U.S. FIRMS, OR WILL SEEK RENEGOTIATION OF ANY OTHER ASPECTS OF THE FIRMS' INVESTMENT AGREEMENTS.

E. ANY OTHER COMMENTS OR INFORMATION THAT YOU BELIEVE WOULD BE HELPFUL, INCLUDING RECOMMENDATIONS ON ACTIONS WHICH SHOULD BE TAKEN.

3. PLEASE TRANSMIT INITIAL REPLY BY COB JULY 15, AND FINAL REPLY, IF ANY, BY JULY 29. YOU SHOULD USE YOUR JUDGMENT ON WHETHER TO APPROACH THE HOST GOVERNMENT FOR INFORMATION, BUT IN GENERAL THE DEPARTMENT PREFERS THAT THIS NOT BE DONE. TO AVOID DUPLICATION, MAKE APPROPRIATE REFERENCES TO PREVIOUS REPORTING. THE DEPARTMENT APPRECIATES YOUR COOPERATION. SISCO UNQUOTE INGERSOLL

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